Local Taxing Authority and Revenue Sources

Presentation to the Task Force to Modernize County and Municipal Revenue Structures

DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

July 31, 2026

First Principles

- The State has the inherent power to tax as an aspect of its sovereignty.
- Local governments are not sovereign and only have the power to tax if authorized by the General Assembly.
- The General Assembly determines the taxing authority of local governments by law.
- The manner in which the General Assembly may exercise its power over local taxation varies by each type of local government.

Charter Counties

- All charter counties are authorized by the Express Powers Act to impose a property tax and to create special taxing districts.
- The power to impose additional taxes must be granted by the General Assembly through other public general laws or public local laws.
- Charter counties may limit property tax rates or revenues through amendments to their charters. Counties that have adopted such limits include Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico.

Code Counties

- Code counties may not impose any new tax unless authorized by the General Assembly through a law that applies to all code counties in one or more of the classes created by the General Assembly.
- Caroline, Kent, Queen Anne’s, and Worcester are classified in the Eastern Shore class, while Allegany and Charles are in separate classes.
- The General Assembly has exclusive power to limit the property tax rate for individual code counties, although this power has never been exercised.

Commission Counties

- The General Assembly has complete discretion to determine the taxing powers of commission counties.
- Commission counties have the power to impose a property tax, an income tax, and various other taxes under public general laws and public local laws.

Municipalities

- Municipalities may not impose a new tax unless authorized by the General Assembly through a law that applies to all municipalities, or that applies to one or more classes of municipalities created by the General Assembly based on population.
- The General Assembly has established only one class that includes all municipalities.
- The General Assembly has the power to limit the property tax rate for any individual municipality, subject to a local referendum, although this authority has never been exercised.
- The charter of a municipality may also limit property tax rates.

Special Taxing Authority

- Through public local laws, the General Assembly has given Baltimore City, Baltimore and Montgomery counties broad taxing authority, including the power to grant tax exemptions.
- Under these statutes, each of these jurisdictions may tax "to the same extent as the State" with specified exceptions.
- These exceptions prohibit certain local taxes, including taxes on such items as motor fuel, insurance, and estates.

Local Revenue Sources

- Property Taxes
- Income Taxes
- Recordation Taxes
- Transfer Taxes
- Hotel Rental Taxes
- Impact Fees and Development Excise Taxes
- Admissions and Amusement Taxes
- Miscellaneous Taxes

Property Taxes

- State law authorizes all counties and municipalities to impose taxes on both real and personal property.
- Every county, Baltimore City, and almost all municipalities impose a real property tax.
- County real property tax rates in fiscal 2026 range from $0.8032 in Talbot County to $2.248 per $100 of assessed value in Baltimore City.
- Under State law, county personal property tax rates may be imposed at up to 2.5 times the real property tax rate. Frederick, Garrett, Kent, Queen Anne’s, and Talbot counties exempt personal property from taxation.
- Municipal real property tax rates range from zero in Chevy Chase, Section 5 to $1.0595 per $100 of assessed value in Cumberland.
- Projected fiscal 2026 county property tax revenue is $11.5 billion.

Income Taxes

- All counties and Baltimore City are required by State law to impose an income tax.
- State law requires a county's income tax rate to be between 2.25% and 3.3%.
- Local rates range from 2.25% in Worcester County to 3.3% in Dorchester and Kent counties.
- While not authorized to impose an income tax, municipalities receive a portion of county income tax revenues collected, based on the greater of either 0.37% of the Maryland taxable income of municipal residents or 17% of the county income tax liability of municipal residents.
- Projected fiscal 2026 county income tax revenue is $8.3 billion.

Recordation Taxes

- All counties and Baltimore City, but not municipalities, are authorized to impose recordation taxes on documents recorded in the land records that transfer title to real property or create a security interest in real or personal property.
- All counties and Baltimore City impose a recordation tax, with rates ranging from $2.50 in Baltimore and Howard counties to $7.00 in Charles and Frederick counties per $500 of the consideration payable or amount of debt secured.
- Montgomery County imposes progressive special rates on consideration or secured debt of $500,000 or more, with rates up to $11.35 on consideration or secured debt of more than $1 million.
- Projected fiscal 2026 county recordation tax revenue is $559.5 million.

Transfer Taxes

- Most counties, but not municipalities, are authorized to impose transfer taxes on real property transfers.
- 18 counties and Baltimore City impose a transfer tax. Calvert, Carroll, Frederick, Somerset, and Wicomico counties do not impose a transfer tax. Wicomico is authorized to impose the tax but does not do so.
- Transfer tax rates range up to 1.5% of the consideration payable in Baltimore City and Baltimore County. Anne Arundel County imposes a special 1.5% rate on transfers over $1 million.
- Montgomery County imposes a range of rates up to 6% depending on the amount of consideration or the type of transfer.
- Projected fiscal 2026 county transfer tax revenue is $535.9 million.

Hotel Rental Taxes

- All counties and Baltimore City are authorized to impose a hotel rental tax, and all currently impose the tax.
- Local rates range from 4% in Talbot County to 9.5% in Baltimore City and Baltimore County.
- Some municipalities may impose a hotel rental tax of up to 2% under limited circumstances specified in State law.
- Many counties provide tax revenues collected from hotel rentals in municipalities to those municipalities.
- Estimated fiscal 2026 county hotel rental tax revenue is $137.2 million.

Impact Fees and Development Excise Taxes

- 16 counties currently impose either an impact fee or development excise tax: Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, and Washington.
- The primary services funded by these charges include public school construction, transportation, parks and recreation, and water and sewer utilities.
- A development excise tax must be explicitly authorized by State law. A development impact fee may be explicitly authorized by State law or based on a jurisdiction's regulatory authority.
- Municipalities may impose development impact fees based on their regulatory authority, and several have done so.
- Estimated fiscal 2026 county impact fee and development excise tax revenue is $148.8 million.

Admissions and Amusement Taxes

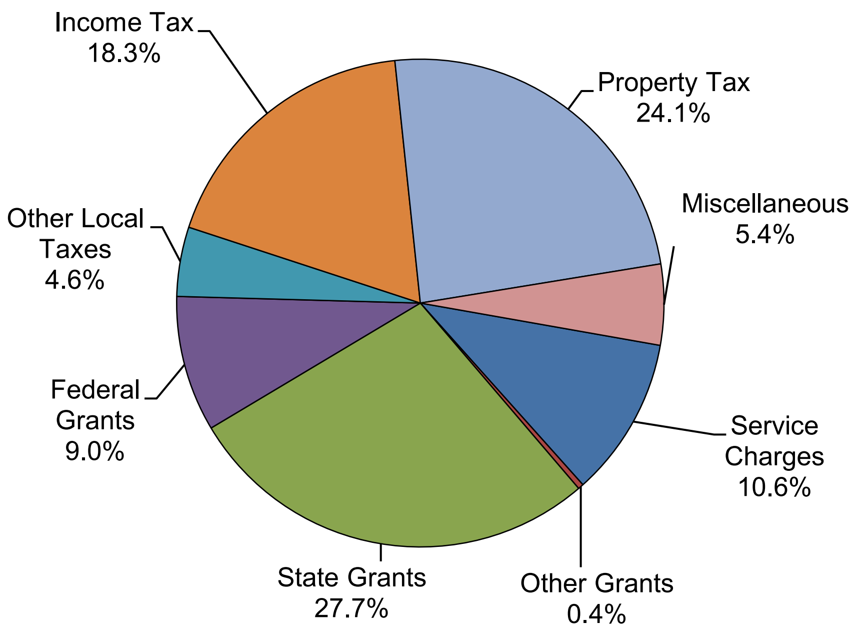
- All counties and municipalities are authorized to impose an admissions and amusement tax.
- All counties, except Caroline and Frederick, and many municipalities impose an admissions and amusement tax.
- Local rates range from 0.5% in Dorchester County to 10.0% in five counties and Baltimore City.
- A county may not impose an admissions and amusement tax on gross receipts derived within a municipality if the municipality imposes the tax on the gross receipts or provides an exemption from the tax.
- Estimated fiscal 2026 county admissions and amusement tax revenue is $61.6 million.

Miscellaneous Taxes

- Some counties and all municipalities may impose charges for disposable bags.
- Counties and municipalities may impose trailer park taxes.
- There are several taxes that some counties or Baltimore City are authorized to impose, but which municipalities may not impose.
  - Telecommunications taxes
  - Energy taxes
  - Parking taxes
  - Beverage container taxes
  - Electronic cigarette taxes (Montgomery County only)
  - Outdoor advertising taxes

County Revenue Sources
Fiscal 2024
($ in Millions)

Revenue Source	Amount	Percent of Total
Property Tax	$10,300.3	24.1%
Income Tax	7,794.0	18.3%
Other Local Taxes	1,980.4	4.6%
Intergovernmental		
Federal Grants	3,846.7	9.0%
State Grants	11,799.3	27.7%
Other Grants	157.0	0.4%
Service Charges	4,507.0	10.6%
Miscellaneous	2,283.8	5.4%
Total Revenues	**$42,668.6**	**100.0%**



Leading County Revenue Sources

Largest Source of Revenue

State Grants
Allegany
Baltimore City
Baltimore
Caroline
Carroll
Cecil
Charles
Dorchester
Frederick
Garrett
Harford
Prince George's
St. Mary's
Somerset
Washington
Wicomico

Property Taxes
Anne Arundel
Calvert
Howard
Kent
Montgomery
Talbot
Worcester

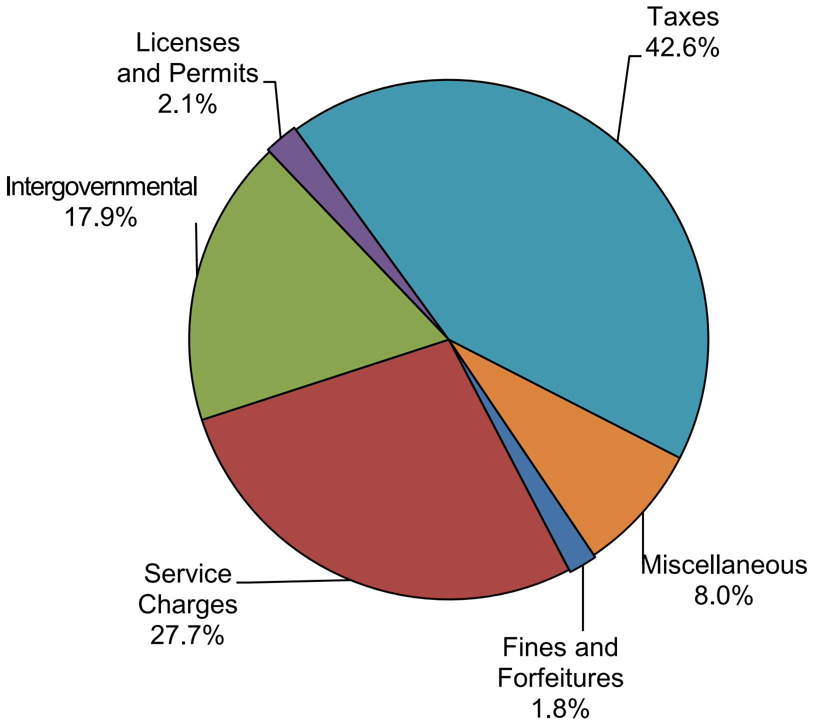
Income Taxes
Queen Anne's

County Tax Revenues Fiscal 2024

County	Tax Revenue – $ in Millions: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Percent of Total Revenue: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Per Capita Revenue: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes
Allegany	$49.6	$30.3	$8.9	$88.8	14.5%	8.8%	2.6%	25.9%	$737	$450	$132	$1,320
Anne Arundel	947.5	830.3	183.9	1,961.6	25.9%	22.7%	5.0%	53.6%	1,579	1,384	306	3,270
Baltimore City	1,007.5	476.3	338.8	1,822.5	18.3%	8.6%	6.1%	33.1%	1,775	839	597	3,211
Baltimore	1,171.9	1,131.1	165.7	2,468.7	23.4%	22.6%	3.3%	49.4%	1,381	1,333	195	2,909
Calvert	206.1	113.9	9.3	329.3	33.8%	18.7%	1.5%	54.0%	2,173	1,201	98	3,472
Caroline	31.4	26.0	3.5	61.0	14.8%	12.2%	1.7%	28.6%	929	769	105	1,803
Carroll	247.8	217.2	21.7	486.6	26.9%	23.6%	2.4%	52.9%	1,402	1,229	123	2,754
Cecil	115.9	86.3	11.7	213.9	21.5%	16.0%	2.2%	39.7%	1,096	817	111	2,024
Charles	283.1	173.6	52.8	509.5	24.6%	15.1%	4.6%	44.4%	1,643	1,008	307	2,958
Dorchester	36.0	20.8	7.3	64.1	19.2%	11.1%	3.9%	34.1%	1,094	632	222	1,948
Frederick	425.1	353.9	60.0	838.9	24.8%	20.6%	3.5%	48.9%	1,445	1,203	204	2,852
Garrett	65.9	20.5	15.8	102.2	29.1%	9.0%	7.0%	45.1%	2,314	719	554	3,587
Harford	340.1	310.2	41.8	692.1	23.2%	21.2%	2.9%	47.3%	1,285	1,172	158	2,614
Howard	811.5	623.8	129.9	1,565.2	30.4%	23.4%	4.9%	58.7%	2,406	1,849	385	4,640
Kent	34.2	20.0	3.2	57.4	32.0%	18.7%	3.0%	53.7%	1,759	1,030	163	2,952
Montgomery	2,325.0	2,023.6	460.6	4,809.1	26.3%	22.9%	5.2%	54.4%	2,174	1,892	431	4,497
Prince George's	1,529.9	788.4	372.7	2,691.0	23.9%	12.3%	5.8%	42.0%	1,599	824	390	2,813
Queen Anne's	82.1	86.0	12.0	180.1	24.0%	25.1%	3.5%	52.5%	1,559	1,633	227	3,418
St. Mary's	126.7	140.7	19.7	287.1	19.6%	21.8%	3.1%	44.5%	1,097	1,218	171	2,486
Somerset	20.1	11.8	0.9	32.7	14.6%	8.6%	0.7%	23.8%	801	470	36	1,307
Talbot	58.7	53.0	16.7	128.4	25.6%	23.1%	7.3%	56.1%	1,541	1,393	440	3,374
Washington	151.1	125.3	16.5	292.9	18.9%	15.6%	2.1%	36.5%	968	803	106	1,876
Wicomico	74.3	77.4	8.7	160.3	12.6%	13.2%	1.5%	27.3%	703	733	82	1,519
Worcester	159.1	53.8	18.2	231.2	42.7%	14.4%	4.9%	62.0%	2,934	993	336	4,263
Statewide	$10,300.3	$7,794.0	$1,980.4	$20,074.7	24.1%	18.3%	4.6%	47.0%	$1,657	$1,254	$319	$3,229

Municipal Revenue Sources
Fiscal 2024
($ in Millions)

Revenue Source	Amount	Percent of Total
Property Tax	$694.4	31.9%
Income Tax	190.1	8.7%
Other Local Taxes	41.5	1.9%
Licenses and Permits	46.0	2.1%
Intergovernmental		
Federal Grants	66.1	3.0%
State Grants	223.5	10.3%
County Grants	97.5	4.5%
Other Grants	1.8	0.1%
Service Charges	601.9	27.7%
Fines and Forfeitures	38.8	1.8%
Miscellaneous	174.6	8.0%
Total Revenues	**$2,176.2**	**100.0%**



Leading Municipal Revenue Sources
Fiscal 2024

Largest Source of Revenue for Municipalities within County

Property Taxes
Anne Arundel
Frederick
Harford
Kent
Montgomery
Prince George's
Queen Anne's
Somerset
Wicomico

Intergovernmental Funds
Caroline
Garrett

Service Charges
Allegany
Calvert
Carroll
Cecil
Charles
Dorchester
St. Mary's
Talbot
Washington
Worcester

Municipal Tax Revenues by County

Fiscal 2024

County	Tax Revenue – $ in Millions: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Percent of Total Revenue: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes	Per Capita Revenue: Property Taxes	Income Taxes	Other Local Taxes	Total Local Taxes
Allegany	$17.8	$3.8	$0.2	$21.9	20.3%	4.4%	0.2%	24.9%	$679	$146	$7	$833
Anne Arundel	61.3	12.0	3.1	76.4	39.6%	7.7%	2.0%	49.3%	1,505	294	75	1,874
Calvert	4.3	1.8	2.4	8.6	20.6%	8.8%	11.5%	40.8%	497	212	278	987
Caroline	4.7	1.0	0.1	5.7	29.2%	6.2%	0.3%	35.7%	585	125	6	716
Carroll	24.3	11.1	0.3	35.7	24.8%	11.3%	0.4%	36.5%	420	191	6	617
Cecil	19.6	3.9	1.1	24.6	27.4%	5.4%	1.6%	34.4%	666	132	39	836
Charles	6.6	2.7	0.9	10.3	16.8%	7.0%	2.4%	26.3%	606	253	87	946
Dorchester	11.1	1.7	0.1	13.0	27.2%	4.2%	0.3%	31.7%	666	103	8	777
Frederick	89.7	22.6	4.1	116.5	33.3%	8.4%	1.5%	43.3%	744	187	34	965
Garrett	2.1	0.6	0.4	3.1	17.3%	5.2%	3.4%	25.9%	325	98	65	488
Harford	32.6	7.4	0.8	40.8	31.8%	7.3%	0.8%	39.8%	749	171	18	937
Kent	3.4	1.1	0.1	4.5	32.3%	10.2%	0.7%	43.2%	480	151	10	642
Montgomery	105.7	63.7	16.8	186.3	31.6%	19.0%	5.0%	55.6%	598	361	95	1,054
Prince George's	148.7	35.7	2.1	186.5	49.4%	11.9%	0.7%	62.0%	681	164	10	855
Queen Anne's	5.4	1.7	0.0	7.1	38.3%	11.8%	0.0%	50.1%	834	256	0	1,091
St. Mary's	0.8	1.1	0.1	2.0	8.7%	11.6%	0.6%	20.9%	171	227	12	411
Somerset	3.9	0.4	0.0	4.3	35.6%	3.9%	0.4%	39.8%	631	69	6	707
Talbot	17.2	3.4	0.3	20.9	15.2%	3.0%	0.2%	18.4%	846	165	13	1,024
Washington	39.8	6.1	3.5	49.4	23.8%	3.6%	2.1%	29.5%	695	106	61	862
Wicomico	39.1	4.8	1.4	45.4	38.8%	4.8%	1.4%	45.0%	803	99	29	931
Worcester	56.0	3.4	3.7	63.1	27.9%	1.7%	1.8%	31.5%	2,957	182	193	3,332
Statewide	$694.4	$190.1	$41.5	$926.0	31.9%	8.7%	1.9%	42.6%	$743	$204	$44	$991